

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



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STATE TREASURER OF NORTH CAROLINA
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STATE AND LOCAL GOVERNMENT FINANCE DIVISION

Audit Contract Forms and Changes

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Introduction

- Operational Goals
 - Optimize processes and interactions
 - Automate selected processes
 - Update website
- Connecting with LGC Staff
 - Blog
 - Feedback form



State and Local Government Website
Blog
Feedback Form

<https://www.nctreasurer.com/slg/Pages/default.aspx>

<https://www.nctreasurer.com/slg/lgcblog/Pages/default.aspx>

<https://www.surveymonkey.com/r/SLGFDFeedback>



North Carolina Department of State Treasurer \ State and Local Government

State and Local Government

State Debt

Local Debt

LGC Staff Blog

Feedback Form

Local Fiscal Management



The State and Local Government Finance Division handles the sale and delivery

Resource and Analysis Tools

[Benchmarking Tool for Municipalities and Counties](#)

[Analysis by Population for Municipalities and Counties](#)



Topics for Discussion

- 2020 Contract Changes
- Fixed vs Variable Contracts
- Amended Contracts



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2020 Contract Changes



Types of Contracts

- Standard Contracts
 - For most units – counties, municipalities, TDAs, boards of education, etc.
 - Contract includes pre-audit language
 - LGC reviews and/or approves audit report, contract, invoices
- Hospital Contracts
 - For public hospitals (GS 159-39)
 - Contract does not include pre-audit language
 - LGC reviews and/or approves audit report, contract
- Charter School Contracts
 - For charter schools only (not boards of education)
 - No pre-audit language
 - LGC reviews and/or approves audit report, contract, invoices
 - Signature page includes section to list individual schools under charter holder





2020 Contract Changes

Standard Contract Body: Deletions

2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with GAAS. The Auditor shall perform the audit in accordance with Government Auditing Standards.

...

County and Multi-County Health Departments: The Office of State Auditor will require Auditors of these Governmental Units to perform agreed upon procedures (AUPs) on eligibility determination on certain programs. Both Auditor and Governmental Unit agree that Auditor shall complete and report on these AUPs on eligibility determination as required by OSA and in accordance with the instructions and timeline provided by OSA.

13. The Auditor shall submit the report of audit in PDF format to LGC Staff when (or prior to) submitting the final invoice for services rendered.

...

If the OSA designates certain programs to be audited as major programs, as discussed in Item 2, a turnaround document and a representation letter addressed to the OSA shall be submitted to LGC Staff.



2020 Contract Changes

Standard, Charter School, Hospital Contract Body: Addition

16. A copy of the engagement letter, issued by the Auditor and signed by both the Auditor and the Governmental Unit(s), shall be attached to this contract, and except for fees, work, and terms not related to audit services, shall be incorporated by reference as if fully set forth herein as part of this contract. [. . .]



2020 Contract Changes

Standard, Charter School Contract Body: Correction

Fees Page:

If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year **billings**.

Should the 75% cap provided below conflict with the cap calculated by LGC staff based on the prior year **billings** on file with the LGC, the LGC calculation prevails.



2020 Contract Changes

Standard, Charter School, Hospital Contract Signature Page: Modification

GOVERNMENTAL UNIT

Governmental Unit*	
Date Primary Government Unit Governing Board Approved Audit Contract* (G.S.159-34(a) or G.S.115C-447(a))	
Mayor/Chairperson (typed or printed)*	Signature*
Date	Email Address

Chair of Audit Committee (typed or printed, or "NA")	Signature
Date	Email Address

More space
for date

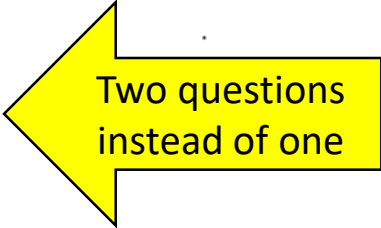


2020 Contract Changes

Amended Contract: Modification

EXPLANATION OF MODIFIED CONTRACT TERMS

.Please provide an explanation for the modification to due date and/or fees.



Two questions
instead of one

If the amendment is submitted to extend the due date, please indicate the steps the unit and auditor will take to prevent late filing of audits in subsequent years.



2020 Contract Changes

Charter School Contract Signature Page: Modification

CONTRACT TO AUDIT ACCOUNTS

SCHOOL LIST

(provide names of all charter schools included in the audit)

School Name	Address
Executive Director	Email Address
Finance Officer	Email Address

School Name	Address
Executive Director	Email Address
Finance Officer	Email Address





Fixed vs Variable Contracts



Fixed vs Variable Contracts

20 NCAC 03 .0505 AUDIT BILLINGS

(c)(4)“... the Commission may approve interim billings up to a maximum of 75 percent of a fixed or maximum fee, or, in the case where there is no fixed or maximum fee, up to a maximum of 75 percent of last year's billings for the annual audit of the subject unit. . . . “

Fixed Contract = “fixed or maximum fee”

Variable Contract = all others; ANY variable component



Fixed vs Variable Contracts (continued)

20 NCAC 03 .0505 AUDIT BILLINGS

“Except in the case of a fixed fee, the audit billing shows all calculations necessary to compute the fee from the rates shown in the contract...”

Rejected Contract = rates needed to compute invoice fees are not provided in the contract



Fixed vs Variable Contracts

Contract

Audit: \$25,000

Writing Financial Statements: \$0

All Other Non-Attest Services: \$0



Fixed vs Variable Contracts

Contract

Audit: \$25,000

Writing Financial Statements: \$0

All Other Non-Attest Services: \$0

FIXED



Fixed vs Variable Contracts

Contract

Audit: \$25,000

Writing Financial Statements: \$0

All Other Non-Attest Services: \$0

Engagement Letter

Audit services: \$25,000

Major program audit: \$2,500 per program



Fixed vs Variable Contracts

Contract

Audit: \$25,000

Writing Financial Statements: \$0

All Other Non-Attest Services: \$0

V A R I A B L E

Engagement Letter

Audit services: \$25,000

Major program audit: \$2,500 per program



Fixed vs Variable Contracts

Contract

Audit: \$25,000

Writing Financial Statements: \$0

All Other Non-Attest Services: \$0

Engagement Letter

Audit services: \$25,000

Major program audit: \$2,500 per program, up to 4 programs



Fixed vs Variable Contracts

Contract

Audit: \$25,000

Writing Financial Statements: \$0

All Other Non-Attest Services: \$0

FIXED

Engagement Letter

Audit services: \$25,000

Major program audit: \$2,500 per program, up to 4 programs



Fixed vs Variable Contracts

Contract

Audit:	\$50,000
Writing Financial Statements:	\$10,000
All Other Non-Attest Services:	At standard hourly rates

Engagement Letter

We will bill for any non-attest services at standard hourly rates.



Fixed vs Variable Contracts

Contract

Audit: \$50,000

Writing Financial Statements: \$10,000

All Other Non-Attest Services: At standard hourly rates

R E J E C T E D

Engagement Letter

We will bill for any non-attest services at standard hourly rates.



Fixed vs Variable Contracts

Contract

Audit:	\$50,000	V A R I A B L E
Writing Financial Statements:	\$10,000	
All Other Non-Attest Services:	At standard hourly rates	

Engagement Letter

We will bill for any non-attest services at:

\$100 per staff hour

\$200 per senior staff hour



Audit Fees

<https://www.nctreasurer.com/>

The screenshot shows the website of the North Carolina Department of State Treasurer, specifically the State and Local Government Finance Division. The header features a portrait of Dale R. Folwell, CPA, and the title 'KEEPER OF THE PUBLIC PURSE'. A navigation bar includes links to Home, Inside The Department, Divisions, Retirement & Savings, State and Local Government Finance, and NC Cash Program. A search bar is also present. A large blue banner on the left promotes 'Retirees: 2018 tax forms are NOW available for download. Paper forms will not be mailed until January 31, 2019.' with a 'Learn more' button. The main content area is divided into two columns. The left column lists 'State and Local Government Finance' resources: Local Fiscal Management, Local Debt, State Debt, NC Capital Facilities Finance Agency, Local Government Commission, and *New* LGC Staff Blog. Below this is 'LFM Audit and Acct. Resources' including Audit Manual, Single Audit, Audit Fees (highlighted in yellow), Firms Providing Accounting Services, Audit Opinions and Reports, Pension Standards - GASB 67 and GASB 68, and Pension Standard - GASB 73. The right column lists 'LFM Forms and Instructions' including Annual Financial Information Report (AFIR), Annual Audit Forms and Resources, Cash and Investments, Other Post Employment Benefits (OPEB) Resources, Non-Audit Services, Aids to Financial Statement Preparation, Secondary Market Disclosure, Ancillary Governmental Participant Investment Program (AGPIP), and 'Local Fiscal Management (LFM)' including Forms and Instructions, Audit and Accounting Resources, Sample Financial Statements, Financial Analysis Tools, Memos, Other Worksheets and Resources, and Web Links. On the far right, there is a section for 'Email' and 'ABLE' (likely a financial member program) with an 'enroll here' button. At the bottom, there is a 'Department News' section with a link to 'Rehabilitation Associates Network' and a 'fiscal year' link.

STATE TREASURER OF NORTH CAROLINA
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KEEPER OF THE PUBLIC PURSE
NORTH CAROLINA DEPARTMENT OF STATE TREASURER

Home Inside The Department Divisions Retirement & Savings State and Local Government Finance NC Cash Program

Retirees:
2018 tax forms are NOW available for download. Paper forms will not be mailed until January 31, 2019.
[Learn more](#)

State and Local Government Finance

- Local Fiscal Management
- Local Debt
- State Debt
- NC Capital Facilities Finance Agency
- Local Government Commission
- *New* LGC Staff Blog

LFM Audit and Acct. Resources

- Audit Manual
- Single Audit
- Audit Fees**
- Firms Providing Accounting Services
- Audit Opinions and Reports
- Pension Standards - GASB 67 and GASB 68
- Pension Standard - GASB 73

LFM Forms and Instructions

- Annual Financial Information Report (AFIR)
- Annual Audit Forms and Resources
- Cash and Investments
- Other Post Employment Benefits (OPEB) Resources
- Non-Audit Services
- Aids to Financial Statement Preparation
- Secondary Market Disclosure
- Ancillary Governmental Participant Investment Program (AGPIP)

Local Fiscal Management (LFM)

- Forms and Instructions
- Audit and Accounting Resources
- Sample Financial Statements
- Financial Analysis Tools
- Memos
- Other Worksheets and Resources
- Web Links

Email

ABLE

Finance Member

[enroll here](#)

Department News

[Rehabilitation Associates Network](#)

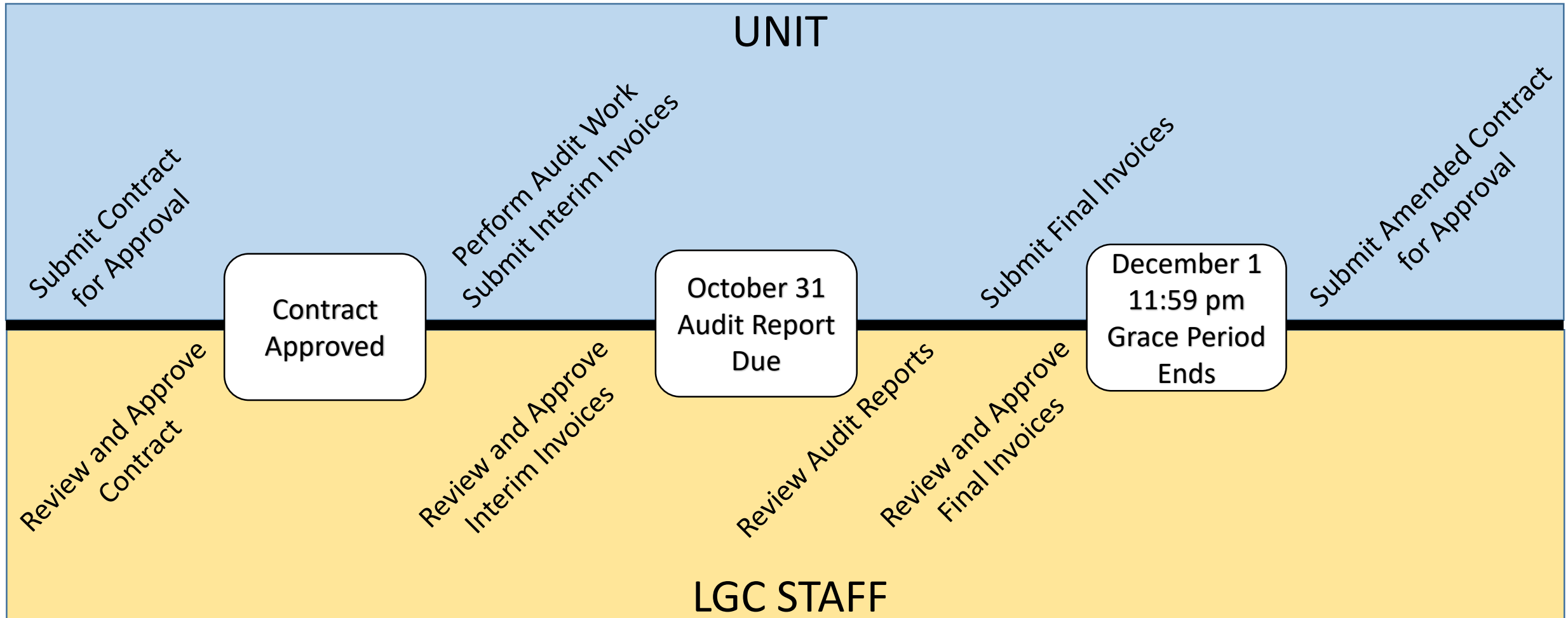
[fiscal year](#)



Amended Contracts



Contract Timeline





Amended Contracts

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to LGC staff within four months of fiscal year end. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay shall be submitted to the Secretary of the LGC for approval.



Amended Contracts

- Amended contracts are required whenever there is a modification to the due date or fees for the audit.
- Amended contracts are always required after December 1.
(Doesn't apply if auditor initially contracts with unit after December 1, eg new auditor)
- Amended contracts must be received and approved by LGC staff before audit reports will be accepted and invoices will be approved.
- A late audit does not automatically lead to a unit letter. Other factors are considered.



Conclusion

- Questions
- Blog and feedback form reminder